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IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

No.

SPIEGEL, INC.,

Petitioner,

vs.

ALDON ACCESSORIES LTD.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT AND APPENDIX

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September 20, 1984

Pandick Midwest, Inc., Chicago • 454-7600

Questions Presented for Review:

1. Does the Copyright Revision Law permit the Court of Appeals to create a fictitous legal person, the "Supervised Contractor" - a Foreign Artisan who has the real characteristics of an independent contractor - but who must legally be considered "an employee" and whose work may be freely appropriated for copyright purposes by the importer of his work product?

2. Did the action of the Court of Appeals in declaring such Foreign Artisans to be employees of the Plaintiff, a domestic U.S. corporation, in creating "Works for Hire", subvert the clear intent of the Copyright Revision Law of 1976?

3. Did Congress intend any author working for the benefit of a domestic importing company to be considered an "employee" of such company and the work created a "Work for Hire", even though no indicia of employment were present?

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IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1984

No.

SPIEGEL, INC.,

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vs.

ALDON ACCESSORIES LTD.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT.

Petitioner, SPIEGEL, INC.*, respectfully prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit, entered in this proceeding on June 22, 1984, affirming the judgment (with remittitur) of the United States District Court for the Southern District of New York.

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* Spiegel, Inc. is a wholly owned subsidiary of OTTO VERSAND (GMBH & Co.) of Hamburg, Germany.

Opinions Below

The opinion and judgment order of the Court of Appeals is in the Appendix attached to this Petition. (See pages A-1 - A-14). The opinion of the Court of Appeals is reported at 738 F.2d 548 (2nd Cir. 1984).

The original action was tried in the United States District Court for the Southern District of New York. After a six day trial, the jury returned a verdict for the plaintiff in the amount of $124,400. Defendant, Spiegel, who had moved for directed verdict following the close of plaintiff's case, also filed timely objections to the jury instructions and other irregularities, and post-trial motions requesting judgment notwithstanding the verdict and a new trial. On November 22, 1983, the District Court entered its Opinion And Order, denying all of

defendant's various motions but requiring a remittitur in the amount of $20,000. Judgment was entered for plaintiff and against defendant on December 20, 1983, in the amount of $104,400. The Opinion of the District Court is attached hereto in the Appendix (See pp. A-16 - A-26).

Jurisdiction

This Petition for a Writ of Certiorari is being filed within ninety (90) days of the judgment of the Court of Appeals.

The jurisdiction of this Court rests on 28 U.S.C. §1254(1) and 2101(c).

Constitutional And Statutory Provisions Involved

U.S. Constitution Art. 1, Sec. 8, Cl. 8:

"The Congress shall have Power...

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the

exclusive Right to their respective Writings and Discoveries;"

Copyright Revision Act Of 1976, §101, 201, 202, 204:

§101. Definitions

"As used in this title, the following terms and their variant forms mean the following: ...

A "work made for hire" is--

(1) a work prepared by an employee within the scope of his or her employment; or ... [exceptions not relevant]"

§201. Ownership of copyright

"...(b) Works Made For Hire. -- In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of thie title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright." ...

§202. Ownership of copyright as distinct from ownership of material object

"Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any

material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object."

§204. Execution of transfers of copyright ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."...

Statement Of The Case

This is a case of first impression. It involves interpreting the highly controversial "work for hire" provisions of the new (1976) copyright law. The Court of Appeals for the Second Circuit (hereafter the "Court") as will appear, unquestionably subverted the clear

intention of Congress to reform the law of "work for hire", holding valid a U.S. copyright registration obtained ex parte and reciting that the plaintiff, Aldon, a U.S. corporation, was the author "for hire", of certain copyrighted porcelain and brass statuettes.

This conclusion required a finding that, instead of being "independent contractors", certain Japanese (and Taiwanese) artisans were "employees within the scope of [their] employment". Such conclusion was reached, although, incredible as it sounds, the Japanese trading company (Wado) who arranged for the design, purchased and resold the statuettes had no contract, of assignment or otherwise, with Aldon. Even more incredibly, the relation of "employment" was found although the actual creators were free-lance (1) sketchers, (2) modelers, and (3)

moldmakers, and were: a) selected by the Japanese trading company, not plaintiff, b) actually unknown to plaintiff, c) not paid by the U.S. plaintiff corporation, and d) worked in Japan (not the U.S.), and even then principally off the premises of the trading company, which engaged the artisans.

In arriving at its holding, The Court postulated that such workers were "contractors", who were "directed and supervised" by plaintiff, and thus were not "independent contractors", but were "employees within the scope of [their] employment". Had such artisans been found to be "independent contractors", as they unquestionably were, then the Court of Appeals, under the 1976 Copyright Law and under its own previous decisions, was bound to enter judgment for defendant.

Because of this foreign authorship, the questions of originality, authorship, and ownership of copyright assumed an importance, and present problems not present in a case involving domestic manufacture.

In fact, such foreign authorship and manufacture, if permitted to constitute proper American "authorship for hire", would confer an enormous and unfair procedural and practical advantage on plaintiff, who is either ignorant or deceitful regarding the actual facts surrounding the genesis of the products in question. Moreover, such holding would contravene the existing statutory and case law, and would violate the intent of Congress, as expressed in its 1976 attempt to reform the controversial "work for hire" area of copyright law.

Background

The plaintiff Aldon, and the defendant, Spiegel, compete in the sale of brass and porcelain statuettes and related bric-a-brac.

Before this action began, Aldon was competing with others as a gift and accessory manufacturer, and sought to establish an "exclusive" line of merchandise. In pursuit of this plan, plaintiff seized upon the scheme of sending clippings and/or photographs of non-original third party materials to an Oriental trading company with instructions for them to locate sketchers, modelmakers, and moldmakers for purposes of "creating" works which would be made abroad and sold to plaintiff by the trading company. The imported articles bore sticker labels with "notice", and were photographed as specimens sent ex parte to the Copyright Office as a part of an application to register naming

Aldon the author of the work as a work made for hire.

Both the copyrighted brass statuette and the accused infringing units were made, in toto, in the Orient. The porcelain unicorn was first "created" in Japan, and the brass version executed in Taiwan and differed in detail, but was basically copied from, the porcelain unit.

Aldon began to display its statuettes in both porcelain and brass at various trade shows, and soon developed substantial sales of them. Spiegel had become aware that brass unicorns were selling well, and obtained a supply of them from a New York importer who competes with Aldon. Thereafter, Spiegel, through its own trading company, purchased a greater number of larger sized statuettes and offered and sold both sizes through its catalog. Aldon had offered its products to

Spiegel, but Spiegel found lower priced articles available through its own sources.

Procedural History

Aldon threatened, and finally brought suit; Spiegel had meanwhile determined that the works copyrighted by Aldon were, in fact, designed, executed and manufactured in the Orient, and not by Aldon, and were based on material sent for copying or derivation. (Such materials were never produced, despite requests, in pretrial discovery).

However, such pretrial discovery in the lawsuit produced the material reproduced on the accompanying fold-out page. Discovery answers further revealed that the pencilled sketch of what appears to be a mutant insect was Mr. Ginsberg's version of the statuette shown in the photograph. Based on this evidence, including the applications to

ALDON PORCELAIN STATUETTE

BEST AVAILABLE COPY

BEST AVAILABLE COPY

EXHIBIT
PLTF'S 2

9/20

Dear Rose — per letter 9/14 — what you must know from a sheet of Union & Pegasus I want — I thought above rough sketch would remind you. Ask Augustus Wild if Allen & Co pipes come detached & Metcalf & Co's do — my print Tues. 1½ — 20

register, and other interrogatory answers, Spiegel determined that the registrations were invalid because the unnamed Asians were indeed the authors, not Aldon or Mr. Ginsberg. As such, the authors should have been named, and the copyright assigned, before or after registration.

As a result of studying the discovery materials, defendant determined to defend the action actively, principally, but not entirely based on the concept that the works were improperly designated as works for hire; that their originality was questionable and that there was no infringement, no copying, and improper early notice.

When the trial ensued, defendant believed its contentions were not only supported, but were unquestionably established by Aldon's own testimony and exhibits.

Consequently, for purposes of this petition, there are no facts in dispute.

For example, on both direct and cross-examination, plaintiff's president, Arthur Ginsberg, the "supervising employer", admitted having no close contact with the "supervised" Japanese artisans:

> "Q Did you get in there with a pencil and paper and make them or did he make them?
>
> A No, I didn't use a pencil and paper. I didn't need to. (Trial Transcript p. 149).
>
> ...
>
> Q What does he do, sort of squeeze a ball of it together and make some leg parts and assemble it that way, or does he lay it down and cut it out in profile?
>
> A He didn't do any of that at that time. As I said, he brought clay. He just wanted to get the sense of what he wanted. He has his own studio. He went back to his own studio and made a more finished representation of what he wanted.
>
> Q When you were there, he didn't really make up a recognizable unicorn in the clay?

A No.

Q And then he went to his studio?

A Yes.

Q Did you go with him?

A No.

Q When did he come back on that visit?

A Well -- oh, yes, on that visit. I saw him three, four times.
Q When was the first time he came back, if you recall?

A Two days later.

Q What did he have him?

A He had a roughed-out version of the unicorn. It wasn't smoothed out, but was a way of showing to me the proportions of the major parts, the size, the relation of the parts to one another. (Trial Transcript p. 153-4)

...

Q So as far as you know, the actual molding making, then, was done by someone else?

A Yes. A body maker. (Trial Transcript p. 158).

Q You don't really know personally who made them?

A No. ... (Trial Transcript p. 159-60).

...

In spite of the foregoing exchange, and the nature of the testimony, all of which is not in material dispute, defendant's attempted motion for a directed verdict at the close of plaintiff's evidence was unsuccessful.

The basis for this motion was the clear establishment of the facts as outlined above, namely, that the Oriental artisans were the creators; that they were anything but "employees" of plaintiff, and that, therefore, no valid registration could have been obtained by plaintiff as an "employer for hire".

The District Court denied the motion, and at the end of all the evidence, instructed the jury that, if they believed Mr. Ginsberg's testimony that he supervised and directed the artists, they could enter a finding for the plaintiff. Defendant strenuously objected to

this jury instruction and preserved its exception on the record.

Defendants also strongly argued that, under the new law, the definition of the employer-employee relation was narrow and restricted, and that if the facts established the existence of an independent contractor, then plaintiff could not prevail, because there was no assignment of the copyright from such independent contractor, whether that be found to be Wado, or the actual creators of the work. In this connection, argument was advanced concerning the definition of a creator, as articulated in the case of Meltzer v.Zoller, 520 F. Supp. 847 (D.N.J. 1981) and Airken, Hazen, Hoffman, etc. v. Empire Construction Co., 542 F.Supp. 252 (D. Neb. 1982) admittedly controlling law. Extensive argument was offered that the test under the new law was different than under the former law.

At the close of all the evidence, and following return of jury's verdict, motions were made for a new trial and for judgment notwithstanding the verdict, based on the improper instructions just referred to.

While not controlling in the instant case, other reversible errors concerning the requirements for proving infringement, etc., were objected to and were presented on appeal.

The District Court denied all of plaintiff's motions, and, except for entering a remittitur and denying attorneys fees, let the jury verdict stand.

On appeal to the Court of Appeals for the Second Circuit, defendant-appellant, Spiegel, again presented its arguments and authorities, some of which may have been misunderstood by the Court of Appeals. The Court incorrectly stated Spiegel's position as being that Congress intended "...to narrow the type of

employment relationships within the works for hire doctrine to include only 'regular' employees,...".

It is not and never was Spiegel's position that "regularity" was a condition of being an employee. It is not Spiegel's position that the concept of employment would not apply to part time employees, full time employees, evening employees, or otherwise. However, "independent contractors" and "employees" are simply not the same thing. The established law draws a distinction between employees and independent contractors, and it is this distinction that must be followed.

Consequently, in the course of the proceedings below, it was not Spiegel's position that an employee must absolutely be the subject of full time employment, or be the subject of tax and FICA withholding, etc., but

it is clearly Spiegel's position, and believed to be that of all controlling authorities, that there is an unquestioned difference between an employee and an independent contractor, and that considering a person as an employee, with the concomitant taking from that person of any of his creative rights of authorship without additional consideration, the term employee should be strictly construed.

In the instant case, of course, a strict or unreasonably narrow construction is not required; there are no indications whatever that the artists were employees. Instead of reversing, however, the Court of Appeals invented and postulated a third, previously unknown legal entity, the "contractor" or "supervised contractor" who, although having none of the characteristics of an employee, was nonetheless the creator of "works for hire" and was not an independent contractor.

REASONS FOR GRANTING THE WRIT

I. The Decision Of The Court Of Appeals Subverts The Clear Intent Of New Copyright Law.

The Copyright Revision Act (1976) was intended, among other things, to revise the law applicable to works made for hire. Under the old law, it was settled that works created by so-called independent contractors but made at the instance of a hiring party, not only belonged to the hiring party, but were considered works for hire. Goldman-Morgen, Inc. v. Dan Brechner & Co., Inc., 411 F. Supp. 382 (S.D.N.Y. 1976); May v. Morganelli-Huemann & Assoc. 618 F.2d 1363 (9th Cir. 1980); Meltzer v. Zoller, 520 F. Supp. 847 (D.N.J. 1981); Aitken, Hazen, Hoffman, Etc., v. Empire Construction Co. 542 F. Supp. 252 (D.Neb. 1982).

A registration may then be granted to the hiring party as a work for hire, and the author need not even be named.

While coveying a physical work embodying copyrightable subject matter did not per se constitute assignment of copyright, the presumption under the old law was that copyright was conveyed to the commissioning party when the commissioned work was completed, paid for, and delivered. Pushman v. New York Graphic Society, Inc., 287 N.Y. 302 (Ct. App. 1942).

The new copyright act now specifically provides that transfer of ownership in any material object does not convey rights in the copyrighted work, 17 U.S.C. 202, thus overruling the presumption which controlled under the old law. The Cochran Bill, S.2138, goes even further in specific reference to works for hire. (App. A-31,32).

When the Copyright Revision Bill finally became law, the "work for hire" section was restricted to "...a work prepared by an employee within the scope of his or her employment;..." plus a narrow, selected list of work categories not here involved.

That the law was changed as regards works created by independent contractors cannot be argued, certainly by the Court of Appeals for the Second Circuit, which so held in Roth v. Pritikin, 710 F.2d 934 (2nd Cir. 1983). The same Court, in the instant case, now incongruously holds that while independent contractors are treated differently, there is suddenly a new definition of what an independent contractor is!

One consequence of the Revision Act of 1976 immediately arose in the publishing and other selected industries, wherein the rights newly granted to these independent

contractors-authors under the revision bill were immediately granted back to the publishers by them, purportedly in consequence of having little or no bargaining power. This practice accomplished two things. First, it underscored the understanding that independent contractors, under the new law, did have title to their own artistic works, (absent such express work-for-hire agreement, of course). Second, it triggered the drafting and the presentation of the Cochran Bill, S.2138. (Appendix pp. A-27 - A-32). While this bill may expire following this congressional term, a follow-on bill will be presented in January, 1985.

The instant case involves the reverse side of the Cochran situation. In Cochran, the authors were legally independent contractors who were economically forced to become "employees" under express contracts.

In the present case, the definnition of employee was arbitrarily changed. Now, the Courts declare that, while they are bvound by the new act, and while the new act differed from the old in respect to independent contractors, the District Court and the Court of Appeals somehow suddenly changed the definition and turned an independent contractor--three to four stages removed from employment--into a "contractor" or "supervised and directed contractor" who then magically became an "employee", althouth having no characteristics of an employee. Congress manifestly did not intend this.

Considering the decided cases referred to above, and the Cocchran bill as an expression of current practice and of Congressional concern with the "work for hire" section, there is no question that Congress clearly intended the work for hire provisions to apply

only to employees working within the scope of their employment, properly so-called, and not to any author, regardless of his work circumstances, merely because he was working at the request of another.

Specifically, Sec. 201(b) of the Cochran Bill (See Appendix p. A-28) provides that employment may not even be presumed, absent withholding of taxes and FICA from the wages of the author. Could Aldon, who did not hire or pay, withhold taxes from an unknown Japanese national?

Having clearly established that employees and independent contractors are not interchangeable, consideration must be given to resolving, as a matter of law, the question of what is an "employee" and what is an "independent contractor".

II. The "Creating Artisans" Were Unquestionably Independent Contractors In The Present Case.

Employment is not a relation which can be mistaken by the parties. A person knows if he is an employee. He must report to work for the employer on the employer's premises and be paid by the employer. Other tests abound. The independent contractor may well be obliged to assign the work, but this does not make a remote party his "employer" and entitle that party to file and obtain coypright registrations without even the knowledge of the creator. This conclusion, and certain clearly overlooked implications of its truth will now be discussed.

A bizarre aspect of this action is that, while the concepts of "employee" and "independent contractor" are discussed at length, there was admittedly no written contract of <u>any kind</u> between plaintiff and

either of its trading companies, let alone such contract between plaintiff and the artisans. Without belaboring the point of whether there was even the relation of "contractor" at all, the extremely loose relation between Wado, its various free lance artisans, and the plaintiff, and the even looser relation between the Taiwanese trading company, the plaintiff, and the unknown designers and manufacturers in Taiwan, dramatizes and underscores the independence of these designers and compels the conclusion that they could never be rationally considered "employees".

According to plaintiff's own testimony and even its brief on appeal (Aldon brief pg. 20), the "creators" were independent contractors, as a matter of law.

This clear legal relation of independent contractor was the basis for defendant's

motion for directed verdict at the close of plaintiff's case. The statement by the District Court Judge that the jury could find the relation of employer and employee based on Mr. Ginsberg's testimony alone was clearly reversible error.

The Restatement Of Agency 2d, Section 220 (1958) (attached hereto in the Appendix at p. A-33,34) lists facts to be considered in determining this legal relation. The expression "independent" in "independent contractor" is not without meaning.

Independence is something an employee does not have. While no contractor can be said to be fully "independent", inasmuch as his work is inherently subject to approval and guidance pursuant to the contract terms, and with a view toward the overall intention of satisfactorily making articles or performing services under the contract, the degree of independence is critical.

Considering the listed tests for determining this legal relation, the fact (a) that substantial skill is required by the worker, (b) that his craft is considered a distinct occupation, (c) that he uses his own tools, (d) that he uses his own materials, and (e) that he provides his own place to work, mandate a conclusion that he is an independent contractor.

Still further, sculptors, designers and sketchers are certainly classic examples of what is meant by this definition. Other tests include the extremely short, transient time of performing work, and that there was no evidence that the sketcher and sculptor were paid at all. Certainly, they were not paid by Aldon, as Mr. Ginsberg admitted. The cases determining this relation have found architects, photographers, painters,

dressmakers, ferriers, and even barbers to be independent contractors.

Plaintiff argues, and the Court held, that the degree of control and supervision, and the right to exercise it lead to a conclusion that the relation was that of "employment". Naturally, while any contract, or right of approval, determines what results are to be achieved, and whether these results are acceptable, and while the desires of any purchaser may be expressed from time to time during performance of the service, this is not to be confused with the close and definite nature of employment.

The Court of Appeals for the Fourth Circuit, in Taylor v. Local No. 7, International Union of Journeymen Horseshoers, 353 F.2d 593 (4th Cir. 1965), analyzed the situation as applied to even rather pedestrian occupations, holding a ferrier (horseshoer) to

be an independent contractor, although significant control was exercised over him. The most enlightening portion of this case appears in a footnote wherein the Court stated:

> "...The customer always assumes the right to direct the barber during the course of the hair cutting operation--to take off here and there or leave portions untouched. The barber provides the tools and equipment and fixes his fees. The customer in each instance is interested in the end result even though directing certain ways and means of accomplishment...Obviously, the amount of retained control and right to direct does not convert the status of the barber from independent contractor to that of employee." Taylor, supra, 353 F.2d at 598, n.2

Surely, the artisans and sculptors in the present case, as illustrated by the fold-out exhibit, must have possessed considerable if not total independence and relatively great skill required to convert Mr. Ginsberg's "sketch" into salable, three dimensional reality.

As a consequence, the holding of the Court that the relations between Aldon and the Asian artists was that of "contractor", or "supervised contractor", was erroneous as a matter of law. The District Court should have granted defendant's motion, and if it did not, the Court of Appeals should have reversed.

III. The Court Of Appeals Developed Its Own, Entirely Improper Concept of the "Supervised Contractor"

The Copyright Revision Law subdivides artists into two categories, (1) the "employee" whose work belongs to his employer without the need for an assignment, and (2) an "independent contractor", whose work must be assigned in writing to become the property of another copyright claimant. The Court of Appeals knew, although the District Court apparently did not, that the authors could not conceivably be "employees." They met none of

the tests. The Court also knew that, if the artisans were held to be "independent contractors", defendant must prevail.

Therefore, the Court of Appeals, sua sponte, invented this third class of person, the "contractor" who has no characteristic of an employee, but yet need not assign to vest title in another copyright claimant.

This device, the invented "supervised contractor" is unauthorized by statute or case law, and the invention of such fictional entity countermands Congressional intent and works clear hardship on the defendant and on the industry.

This holding by the Court of Appeals not only contradicts the law as it was articulated prior to the present decision, but is also inconsistent with the court's own prior

holdings. The 1976 Copyright Act was intended to liberalize the earlier rules concerning assignment of works made by independent contractors to those comissioning an artistic work. This requirement is simple; it merely calls for a written assignment of the work in question, for appropriate consideration. This of course was not done in the present case.

However, the new law also has certain implications not specifically treated in earlier cases, but which are important to the present case. Under the new law, an identification of the artist is a benefit to the artist, even if he assigns a work for a valuable consideration. The identity of the artist is critical on the question of originality. Although many copyright actions do not involve serious questions of originality, the present action definitely does, because clippings, etc. were sent to be

copied, and the works were created out of Mr. Ginsberg's presence.

CONCLUSION

Plaintiff's improper claim of authorship is not merely a technicality. The failure to name an author who could be identified, and in fact even to advise the author(s) that their creations were the subject of a claim to copyright - the failure to have notice physically engraved or cast by the authors or moldmakers into the product, thus permitting it to easily be appropriated by others from an unmarked copy, and failure to advise the creators that originality, not copying is a requisite for copyright, are all actual and potential consequences of simply appropriating the works of foreign artists and calling them "authors for hire". The Courts should not

condone these practices, and subvert the expressed intent of Congress to benefit authors and inform them of their rights, but also to protect litigants and the public against spurious copyright claims.

To do so transparently and through an arbitrary fiction is an even more egregious error. This Honorable Court should grant the instant petition, review the judgment in question, and grant relief in keeping with the express language and intent of the new Copyright Law.

Respectfully submitted,

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Date: September 20, 1984

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1984

No.

SPIEGEL, INC.,

Petitioner,

vs.

ALDON ACCESSORIES LTD.,

Respondent.

APPENDIX

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UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 1184—August Term 1983

Argued May 31, 1984 Decided June 22, 1984

Docket Nos. 83-9075, 84-7057

ALDON ACCESSORIES LTD.,

Plaintiff-Appellee,

—against—

SPIEGEL, INC.,

Defendant-Appellant.

Before:

FEINBERG, *Chief Judge*,
KAUFMAN and PIERCE, *Circuit Judges*.

Appeal from judgment of United States District Court for Southern District of New York, Pierre N. Leval, J., after jury trial, in favor of Aldon for $104,400 and interest at 9.93% for copyright infringement in violation of 17 U.S.C. § 504. Motion for new trial by Spiegel

denied on condition that Aldon agree to remit $20,000 from jury verdict of $124,400. Appellant argues "work prepared by an employee within the scope of his or her employment" within "work made for hire" definition of new Copyright Act, 17 U.S.C. § 101, no longer includes work of contractor operating under supervision and direction of hiring party.

Affirmed.

JAMES T. FITZGIBBON, Chicago, IL (James T. FitzGibbon, P.C., Angelo J. Bufalino, Wilson, Elser, Edelman & Dicker, New York, NY, of Counsel), *for Defendant-Appellant.*

GEORGE POLLACK, New York, NY, *for Plaintiff-Appellee.*

FEINBERG, *Chief Judge*:

Defendant Spiegel, Inc. appeals from a judgment entered in the United States District Court for the Southern District of New York, Pierre N. Leval, J., in favor of plaintiff Aldon Accessories Ltd. for $104,400 and interest at 9.93% for copyright infringement, in violation of 17 U.S.C. § 504. Judge Leval denied a motion by Spiegel for a new trial on condition that Aldon agree to remit $20,000 from the jury verdict of $124,400. Spiegel raises numerous arguments before us, all of which are without merit. We find only two that warrant discussion. These

concern the scope of the "work made for hire" doctrine under the 1976 Copyright Act and the propriety of the jury instructions on access and similarity.

For reasons given below, we affirm the judgment of the district court.

I.

This case arises out of Spiegel's sale, through its widely circulated catalogs, of brass unicorn statuettes that the jury found infringed a valid copyright held by Aldon. There was evidence introduced at the trial from which the jury could, and apparently did, find the following: Aldon is primarily in the business of designing and marketing figurines and other decorative pieces for the home. Most of these are copyrighted by Aldon and represented as exclusively its own. Nationwide sales are made wholesale through catalogs, a showroom in New York City, sales representatives and exhibit booths at trade shows throughout the country. Aldon does not deal directly with consumers.

Aldon has two principals, Arthur Ginsberg, who handles the creative and production side of the business, and his brother, Irwin Ginsberg, who handles sales. Some time in 1977, Arthur Ginsberg ("Ginsberg") conceived of a novel line of statuettes depicting mythological creatures, including a unicorn and a Pegasus. In September 1977, Ginsberg wrote a Japanese trading firm, Wado International Corporation, concerning the design and production of the unicorn and Pegasus, ultimately to be done in porcelain. The letter stated in part:

> We just got an idea to do several Mythological animal[s], one called UNICORN & the other PEGA-

SUS. Please examine the two clippings attached. Note that they both are similar to horses, especially the Pegasus (with eagle-like wings). While the Unicorn has a little beard and split hooves, it still resembles a horse and we do not want to have the beard and the hooves must be like a regular horse.

You remember last year with Okumura that I was trying to design horses but that they were too expensive because they were on their rear legs and had no center support? I'm sure you still have the sketches. Well, we want this pose for both the Unicorn and Pegasus. That is, both should be rearing up on their back legs with the front legs posed as if "kicking out" . . . a feeling of motion or action. The tails should be very full (like on the Unicorn clipping) and touching the base to give additional support. Please make the base as thin & small as possible but make sure the piece stands securely and won't easily fall over.

Shortly thereafter, Ginsberg also sent Wado a very rough sketch of the pose he had in mind for the unicorn and the Pegasus, apparently to remind Wado of the sketches and discussions mentioned in his earlier letter.

In late October or early November, Ginsberg traveled to Japan to work with artists hired by Wado in developing models of the statuettes he had in mind. In describing his participation, Ginsberg testified as follows:

An artist that had worked with me and I sat down together, and we took some of the sketches that we had made on my previous visit . . . and we tried to go over those sketches that we both had done together, to come up with a shape or form that would

> satisfy me for its acceptability. And finally the artist and I agreed on a certain kind of pose, certain proportions for the horse, the musculature, the way the mane was supposed to be done, the sense of its movement, the way it would be produced . . . [a]nd setting up sketches at that first instance, that would at once be aesthetically pleasing to me and that would have marketability and at the same time as a practical matter could be made economically.
>
> . . .
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> After the sketches were agreed upon we had a model maker who makes models in clay, and interpreting from a two-dimensional sketch to a three-dimensional model takes a lot of work until it is satisfactory. And the model was prepared in front of me, and we spent hours and hours changing shapes, adjusting attitudes and proportions until finally I thought there was a model that I liked.

The process took three days, producing at the end a clay model that was substantially identical to the porcelain unicorn ultimately marketed by Aldon. Ginsberg testified at length as to the precise nature of his interaction with the artists. The gist of his testimony was that while he is not an artist and did not do the sketching or sculpting, he actively supervised and directed the work step by step. For example, Ginsberg testified, "The artist will do it this way, and I will say 'No, put the leg this way, make this proportion, put the head this way, make the hair that way.' "

Aldon first received selling samples of the porcelain unicorn in early 1979 and began advertising by brochures and a general mailing. In July 1980, Ginsberg filed a certificate of copyright registration for the porcelain

unicorn in which he identified Aldon as the author and indicated that authorship of the statuette was based on its being a "work made for hire."

Meanwhile, in August 1979, Ginsberg wrote to the Unibright Company in Taiwan to initiate the development of solid brass versions of Aldon's exclusive porcelain unicorn and Pegasus statuettes. Ginsberg expressed interest in producing three sizes: approximately five, seven and ten inches high. He included a color photograph of the porcelain statuettes and sent samples of them separately. In October 1979, Ginsberg visited the Unibright firm during a four-week trip to Taiwan. He testified to working with the Unibright employees in essentially the same manner as he had worked with the Wado artists in developing the porcelain statuettes. Several changes were made from the porcelain design at Ginsberg's direction. Before he left Taiwan, he had final brass models for each of the three sizes he wanted, different in base, tail and head from the porcelain version and each of the sizes slightly different from the others. In July 1980, Ginsberg filed a certificate of copyright registration for the three brass unicorns as works derived from the earlier porcelain unicorn. He listed Aldon as the author and indicated "work made for hire."

Aldon had received the first production samples of the brass unicorns in January 1980. The whole series of brass and porcelain unicorn and Pegasus statuettes was included in Aldon's 1980 and 1981 catalogs and was advertised by a photograph in the January 1981 issue of Gifts & Decorative Accessories magazine, a trade publication. The series was also displayed by Aldon at the Chicago Gift Show in late January 1981. Irwin Ginsberg testified that one of Spiegel's buyers, Jan Vercillo, spent about a

half hour at Aldon's booth during this show and examined the entire unicorn collection. Prices were pasted on the bottom of each item, right next to Aldon's copyright notice. Vercillo requested that samples be sent to her, took an Aldon catalog and said she would get in touch with Irwin Ginsberg as soon as she received the samples. The requested samples were sent, but repeated efforts by him to contact Vercillo over the next six to eight weeks were unavailing; Vercillo did not return any of his calls.

Arthur Ginsberg further testified that he first became aware in the middle of 1981 that Spiegel was selling through its catalogs brass unicorns identical to Aldon's unicorns. Attempts to get Spiegel to cease its sales of the brass unicorns were unsuccessful, and this litigation ensued. At trial, the thrust of Spiegel's defense was that the copyright was invalid and that Spiegel had ordered its unicorns from Taiwan before it had access to Aldon's literature and statuettes. Spiegel's buyer, Ms. Vercillo, testified and disputed key aspects of the Ginsbergs' testimony. For example, she claimed her visit to the Aldon booth took place at a show in July and not in January, after Spiegel's catalog containing the brass statuettes had "closed" or gone into production. Such questions of fact, of course, were for the jury, which apparently decided them in favor of Aldon. For the purposes of this appeal, we do not need to describe any more of the proof offered by both Aldon and Spiegel.

II.

Spiegel argues that the trial judge gave an erroneous charge on the "work made for hire" provision of the 1976

Copyright Act, 17 U.S.C. § 101.[1] Specifically, Spiegel objects to the following instruction:

> A work for hire is a work prepared by what the law calls an employee working within the scope of his employment. What that means is, a person acting under the direction and supervision of the hiring author, at the hiring author's instance and expense. It does not matter whether the for-hire creator is an employee in the sense of having a regular job with the hiring author. What matters is whether the hiring author caused the work to be made and exercised the right to direct and supervise the creation.

Spiegel concedes that this may have been a correct instruction under the old copyright law, but maintains that under the express statutory definition of a "work made for hire" of the new Act, see note 1 supra, a change was

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1 That section provides the following definition:

> A "work made for hire" is—
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> (1) a work prepared by an employee within the scope of his or her employment; or
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> (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

made from the prior work for hire doctrine.[2] Spiegel reasons essentially as follows: Regular employees and independent contractors are treated separately under the new Act, and independent contractors are covered exclusively by subdivision (2) of the definition. Because the artists and artisans of Wado and Unibright were not regular employees of Aldon, the porcelain and brass unicorns could be considered works for hire only if they fell within one of the categories of "specially ordered or commissioned" works listed in subdivision (2) and then only if the parties agreed in a signed instrument that they would be considered works for hire. The instruction, however, permitted the jury to find a work for hire by an independent contractor if the work was "at the hiring author's instance and expense" and if "the hiring author . . . exercised the right to direct and supervise the creation," without reference to the categories of subdivision (2) or to the requirement of a written instrument. In the instant case, there was no written instrument and the statuettes did not fall within one of the listed categories in subdivision (2).

Spiegel is correct that the statuettes could not be considered works for hire under subdivision (2) of the new statutory definition. But Spiegel gives an overly restrictive interpretation of subdivision (1), "a work prepared by an employee within the scope of his or her employment." We find the judge's instruction to be a proper interpretation of this subdivision. Under the 1909 Act and decisions construing it, if an employer supervised and directed the work, an employer-employee relationship could be found even though the employee was not a

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2 Except when quoting from the statute, we will use the shorter phrase "work for hire," instead of the slightly awkward and cumbersome phrase "work made for hire."

regular or formal employee. See Epoch Producing Corp. v. Killiam Shows, Inc., 522 F.2d 737, 744 (2d Cir. 1975), cert. denied, 424 U.S. 955 (1976); Picture Music, Inc. v. Bourne, Inc., 457 F.2d 1213, 1216-17 (2d Cir.), cert. denied, 409 U.S. 997 (1972); Donaldson Publishing Co. v. Bregman, Vocco & Conn, Inc., 375 F.2d 639, 643 (2d Cir. 1967), cert. denied, 389 U.S. 1036 (1968). Nothing in the 1976 Act or its legislative history indicates that Congress intended to dispense with this prior law applying the concepts of "employee" and "scope of employment." See Aitken, Hazen, Hoffman, Miller, P.C. v. Empire Construction Co., 542 F. Supp. 252, 257-58 (D. Neb. 1982). The new Act does not define these key terms, thus suggesting that it is necessary to look at the general law of agency as applied by prior copyright cases in applying subdivision (1) under the new Act. 1 M. Nimmer, Nimmer on Copyright § 5.03[B][1] at 5-12 to 5-13 (1983). Indeed, the legislative history states that the new Act "adopts one of the basic principles of the present law: that in the case of works made for hire the employer is considered the author of the work." H.R. Rep. No. 1476, 94th Cong., 2d Sess. 121, reprinted in 1976 U.S. Code Cong. & Ad. News 5659, 5736. Had Congress intended, as apparently argued by Spiegel, to narrow the type of employment relationships within the work for hire doctrine to include only "regular" employees, it is unlikely that there would have been no discussion of this change in the legislative history.

The legislative history does indicate that Congress intended to change prior work for hire law dealing with "works prepared on special order or commission," id., 1976 U.S. Code Cong. & Ad. News at 5737. Under prior law, in dealing with *all* works done by an independent contractor, the courts "presume[d] in the absence of

contrary proof that the parties expected the employer to own the copyright and that the artist set his price accordingly." May v. Morganelli-Heumann & Associates, 618 F.2d 1363, 1368 (9th Cir. 1980), citing Scherr v. Universal Match Corporation, 417 F.2d 497, 502 (2d Cir. 1969) (Friendly, J., dissenting), cert. denied, 397 U.S. 936 (1970), and Brattleboro Publishing Co. v. Winmill Publishing Corp., 369 F.2d 565 (2d Cir. 1966); see Roth v. Pritikin, 710 F.2d 934, 937 n.3 (2d Cir.), cert. denied, 104 S.Ct. 394 (1983). The presumption applied to all works prepared by an independent contractor, regardless of the presence or absence of direction and supervision by the hiring party. It was apparently felt that this frequently worked an injustice in those situations where the contractor did all of the creative work and the hiring party did little or nothing. H.R. No. 1476, supra, at 121, 1976 U.S. Code Cong. & Ad. News at 5737. Subdivision (2) of the work for hire definition in the new Act is a carefully drafted change in this aspect of the prior law. But there is no indication in the legislative history or elsewhere that Congress was focusing on contractors who were actually sufficiently supervised and directed by the hiring party to be considered "employees" acting within "the scope of employment." Rather, as indicated earlier, we believe and hold that Congress intended the prior law in such situations to remain unchanged.

The cases cited by Spiegel are not to the contrary. In Meltzer v. Zoller, 520 F. Supp. 847, 854-57 (D.N.J. 1981), the court appeared to conclude that subdivision (2) of the definition under the 1976 Act was the exclusive provision covering independent contractors. But that simply frames the issue: is the contractor "independent" or is the contractor so controlled and supervised in the creation of the particular work by the employing party that an employer-

employee relationship exists. The latter is covered by subdivision (1). The *Meltzer* court was not required to consider the range of employer-employee relationships covered by subdivision (1) of the work for hire definition because it found as facts that plaintiff's contribution to the architectural plans at issue was minimal, that the plans differed only slightly from the firm's standard plans and that the firm was an independent contractor.

May v. Morganelli-Heumann & Associates, supra, also involving architectural plans, simply applied the prior work for hire law as to independent contractors because the events at issue antedated January 1, 1978, the effective date of the 1976 Act. The issue was whether the presumption of copyright ownership in the hiring party was rebutted by the proof of a contrary intent evidenced by custom and usage of the architectural profession. In a footnote, id. at 1368 n.4, however, the court stated that it viewed the architect as an independent contractor and not an employee and that the work for hire doctrine of the new Act would not apply. This is not inconsistent with our conclusion here, because there is no evidence that the hiring party in *Morganelli-Heumann* actively participated in drafting the plans.[3]

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3 Cf. Childers v. High Society Magazine, Inc., 557 F. Supp. 978, 984 (independent photographer; "Defendants cannot possibly assert that plaintiff is an 'employee'."), aff'd on rehearing, 561 F. Supp. 1374 (S.D.N.Y. 1983).

Both parties agree that the facts of this case are similar to Goldman-Morgen, Inc. v. Dan Brechner & Co., 411 F. Supp. 382 (S.D.N.Y. 1976), but that case is of no assistance here because the court applied the prior law on independent contractors, now changed by subdivision (2) of the work for hire definition, and had no need to consider whether plaintiff's participation with the Japanese artists in the design of a novel child's bank was sufficient to constitute an employer-employee relationship, id. at 385, 391, now covered by subdivision (1) of the definition.

Our conclusion that the judge's charge was not incorrect does not produce a result at odds with the Congressional intent. There was evidence in this case that Ginsberg did much more than communicate a general concept or idea to the Japanese and Taiwanese artists and artisans, leaving creation of the expression solely to them. There was evidence that Ginsberg actively supervised and directed the creation of both the porcelain and brass statuettes. While he did not physically wield the sketching pen and sculpting tools, he stood over the artists and artisans at critical stages of the process, telling them exactly what to do. He was, in a very real sense, the artistic creator. Citing Florabelle Flowers, Inc. v. Joseph Markovitz, Inc., 296 F. Supp. 304 (S.D.N.Y. 1968), Spiegel argues that, as in that case, Ginsberg had no more than a general conception and the creation was done by the artists and artisans. In *Florabelle*, the judge was acting as fact-finder on a motion for a preliminary injunction and there was virtually no evidence of participation by the plaintiff in the physical creation of the artificial flower in dispute. Here, the question of supervision and direction by Ginsberg was submitted to the jury, and their finding, implicit in the verdict, of an employer-employee relationship is supported by ample evidence.

III.

Spiegel also objects to the judge's charge on the relationship between proof of access and proof of similarity in determining whether copying had occurred. One sentence of the charge, quoted selectively by Spiegel, arguably could be interpreted as an instruction that the more convincing the proof of access by the copier the less impressive the similarities have to be to support a conclu-

sion of copying. The sentence at issue is quoted in context in the margin.[4] Spiegel claims that this instruction allowed the jury to find copying without also finding substantial similiarity between Aldon's and Spiegel's statuettes. However, we do not think this is so. The judge had just said that "overwhelming" similarity where "the similar elements are of such an unusual or distinct nature that it is unlikely that someone else would have dreamed them up on his own or arrived at them in any way other than by copying" permitted an inference of copying "without very convincing proof" of access. The next sentence, here challenged by Spiegel, simply advised the jury that such an "overwhelming" degree of similarity was not required where proof of access was present. See 3 Nimmer on Copyright, supra, § 13.03[D] at 13-39. In any event, even if the sentence is interpreted to communicate the meaning attributed by Spiegel, the error was harmless, in view of the statement of Spiegel's counsel to the jury that "I won't tell you that [Aldon's and Spiegel's] products

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4 As with all circumstantial evidence, you must use your common sense. That is what circumstantial evidence is all about: common sense. The strength required of any one element or the strength of the proof on any one of those questions depends in a way on the strength of the others. If the degree of similarity between the two works is overwhelming and the similar elements are of such an unusual or distinct nature that it is unlikely that someone else would have dreamed them up on his own or arrived at them in any way other than by copying, and if there is no apparent other source for those similar elements than the plaintiff's work, a strong case of copying would be made by reason of those similarities, even without very convincing proof of the defendant's access to the plaintiff's work.

On the other hand, the more convincing the proof of access by the copier, the assumed copier [of] the plaintiff's work, the less impressive the similarities have to be to support a conclusion of copying. You should consider these and all other logically relevant circumstances in deciding whether you find that the defendant copied the plaintiff's work. [Emphasis added.]

aren't virtually the same." Moreover, a reading of the entire eight-page charge on copying leaves no doubt that the judge properly charged the jury on similarity.

The judgment of the district court is affirmed. The parties' respective requests for award of attorneys' fees are denied.[5]

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5 Aldon challenges the granting of the $20,000 remittitur and requests that the full jury verdict be restored. Aldon accepted the remittitur, and under established law in this circuit could not raise the issue even if it had cross-appealed, which it has not. Akermanis v. Sea-Land Service, Inc., 688 F.2d 898, 903 (2d Cir. 1982), cert. denied, 103 S.Ct. 2087 (1983) and 104 S.Ct. 700 (1984).

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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ALDON ACCESSORIES LTD.,

Plaintiff, 82 Civ. 3946(PNL)

-against-

SPIEGEL, INC.,,

Defendant. OPINION AND ORDER
dated
November 22, 1983

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APPEARANCES:

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PIERRE N. LEVAL, U.S.D.J.

Upon defendant's motion for a new trial, I find that the verdict was excessive and that a new trial is in order unless plaintiff accepts a remittitur. This is an action for infringement of plaintiff's copyright. Plaintiff alleged, and the jury found, that plaintiff had established a valid copyright for items of unicorn statuary and that defendant Spiegel, a mail order marketing house, advertised and sold through its catalogue statuettes which were virtually identical copies of plaintiff's work. Plaintiff is entitled to recover defendant's net profits. 17 U.S.C. Section 504. The parties stipulated that gross profits were $124,400. The jury was instructed that defendant bore the burden of establishing its expenses to reduce that figure (Tr. 630-31). The jury awarded the full $124,400, apparently

finding that defendant had failed to establish any expenses attributable to the infringing sales.

Evidence of defendant's expenses was presented to the jury in the following manner. Mary Beth Newberry, an assistant buyer in defendant's decorative accessories department, testified that part of her job is to analyze the profitability of particular items (Tr. 431) and described in general terms the kinds of expenses which would reduce gross profits for the items at issue here (Tr. 428). She then testified that she had performed an analysis of profits on these items.

Defendant sought to introduce under the business records exception to the hearsay rule, F.R. Evid. 803(6), worksheets demonstrating Ms. Newberry's analysis. These analyses purported to show that on its sales of $124,400, Spiegel's net profit had been

$220. Upon voir dire it was established that these documents were prepared the week before trial, at the direction of trial counsel, for use in this action. They were not "made at or near the time" of the transactions; they were not "kept in the course of a regularly conducted business activity"; and it was not "the regular practice of that business activity to make" those records. They did not conform to the business records exception of Rule 803(6). Furthermore, plaintiff would have been seriously prejudiced by the receipt of these worksheets without giving plaintiff access to the true business records from which the information was drawn. Ms. Newberry's analyses were therefore excluded (Tr. 415-24).

Ms. Newberry then testified without objection that she had analyzed the expenses and concluded that "$220 is the net profit" (Tr. 435). Defendant made no further attempt

to substantiate these figures from Spiegel's financial records.

The jury apparently found the $220 figure incredible, and it is not surprising. A Spiegel witness had described the unicorn as selling well (Tr. 257-60, 268-70, 274, 289). If Spiegel's profit was so minuscule on its successful items, the jury might well have wondered why Spiegel would bother year after year to print and distribute its numerous catalogues. Having heard the Court's instructions that Spiegel had the burden of proving its expenses and having received no credible evidence of the amount of those expenses, the jury apparently concluded that Spiegel was entitled to no credit for expenses.

This was understandable under the circumstances, but I must nonetheless conclude that it was against the weight of the

evidence. Spiegel's expensive color illustrated catalogues were in evidence, as was the fact that they are mailed out in huge quantities. There was also some evidence that Spiegel incurs expenses for personnel and facilities. Ms. Newberry testified to several categories of expenditures Spiegel incurs, even though her testimony included nothing of value as to the amount of those expenses. I conclude that, despite the sparsity of the evidence, the jury could not reasonably find a complete absence of buying, selling, warehousing, packaging, shipping and administrative expenses. I hold that in this limited respect the jury's verdict was contrary to the weight of the evidence.

This is not, however, the sort of jury error that invalidates the entire proceeding. It was limited to a narrow circumscribed aspect of the issues in dispute. In all other

respects the jury's verdict was fairly based on the evidence. Indeed, even in this respect the jury's verdict was understandable given the unpersuasive nature of the defendant's proof. In other words, this was not an instance of unfair passion, prejudice or excess on the jury's part. To the contrary it was understandable response. In the face of the defendant's failure to offer credible evidence of any particular level of expenditures, the jury found no expenses whatever.

No new trial is required so long as plaintiff is willing to accept a reasonable reduction of the verdict to credit defendant for expenses that undoubtedly were incurred. In setting the amount, I face the same problem as did the jury - the absence of any helpful proofs. Like the jury I reject the defendant's contention that the expenses

consumed all but $220 of the gross profit. The absence of credible proofs justifies drawing inferences against the defendant since it was the party in possession of the information not offered. I conclude it is fair under the circumstances to set the expenses at $20,000. The remittitur will be set at that amount.

Defendant's other contentions are frivolous. It argues first that the verdict was contrary to the weight of the evidence because there was inadequate proof (a) that the work was made "for hire," (b) that the work possessed sufficient originality to admit of a copyright, or (c) that the defendant infringed.[1] These contentions are without merit. The evidence was more than adequate as to each point.

Other contentions of the defendant are mentioned in passing. It contends

unpersuasively that it was unfairly surprised by plaintiff's theory at trial. It also complains its motion was submitted before it had the benefit of the trial transcript and intimates this was the court's fault. If defendant required more time to obtain the transcript, it could have requested a further extension. One had already been granted.

Nor is there merit to defendant's contention that the court improperly stimulated comparison between plaintiff's and defendant's unicorns. In the first place it is hard to see how it could be improper to stimulate such comparison when it was one of the principal questions on the trial whether defendant's unicorns were copies of plaintiff's. Perceiving that plaintiff's counsel was unaware that defendant's copies had not been received in evidence, I called it to counsel's attention and they were received

without objection. Tr. 475. Although defense counsel may have hoped to profit from plaintiff's oversight, he has no reasonable complaint.

The motion for new trial is denied on the condition that plaintiff agrees to remit $20,000, reducing the verdict to $104,400. Plaintiff shall notify the court whether the remittitur is accepted and, if so, shall submit judgment within 20 days of the date of this order. Plaintiff's motion for attorney's fees is denied.

SO ORDERED:

Dated: New York, New York

November 22, 1983

/S/ Pierre N. Leval
Pierre N. Leval

U.S.D.J.

Footnote

1. During the trial, defendant raised and then dropped the contention it was an innocent infringer. It presented no evidence of reliance on an authorized copy from which

notice had been omitted, 17 U.S.C. Section 405(b).

EDITOR'S NOTE

PAGES A27 thru A32 WERE POOR HARD COPY AT THE TIME OF FILMLNG. IF AND WHEN A BETTER COPY CAN BE OBTAINED, A NEW FICHE WILL BE ISSUED.

98TH CONGRESS
1ST SESSION

S. 2138

To amend the copyright law regarding work for hire.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 18 (legislative day, NOVEMBER 14), 1983

Mr. COCHRAN introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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A BILL

To amend the copyright law regarding work for hire.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 101 of title 17, United States Code, is amended—

(1) by amending clause (2) of the definition of "work made for hire" to read as follows:

"(2) a work specially ordered or commissioned for use as a part of a motion picture, as a translation, as a compilation, as a test, as answer material for a test, as an atlas, as a map, as a

chart, as a table, as editorial notes, as a musical arrangement, as a bibliography, or as an index, if the parties expressly agree in a written instrument limited to a single work and signed by them prior to the commencement of any work pursuant to such an order or commission that the work shall be considered a work made for hire.";

(2) by inserting after the definition of "anonymous work" and before the definition of "audiovisual works", the following new paragraph:

"An 'atlas' is a bound collection of maps.";

(3) by adding before the period in the second sentence of the definition of "compilation" the following: ", but does not include contributions to such collective works".

SEC. 2. Section 201 of title 17, United States Code, is amended—

(1) by inserting at the end of subsection (b) the following: "For purposes of this subsection, a party who fails to withhold the proper tax from wages pursuant to the requirements of sections 3102 and 3402 of the Internal Revenue Code of 1954 (26 U.S.C. 3102 and 3402), shall be presumed not to be an employer."; and

(2) by amending subsection (c) to read as follows:

"(c) CONTRIBUTIONS TO COLLECTIVE WORKS, CONTRIBUTIONS TO COMPILATIONS, SUPPLEMENTARY WORKS, INSTRUCTIONAL TEXTS, AND PARTS OF AUDIOVISUAL WORKS OTHER THAN MOTION PICTURES.—Copyright in each separate contribution to a collective work, in each separate contribution to a compilation, in any supplementary work, in any instructional text, and in any part of an audiovisual work other than a motion picture, is distinct from the copyright in the larger or revised work as a whole. and vests initially with the author who created the work which is to be incorporated into the larger or revised work. In the absence of an express transfer of the copyright or of any rights under it, the owner of the copyright in such larger or revised work is presumed to have acquired only the privilege of reproducing and distributing the author's work as part of such particular larger or revised work, any revision of such larger or revised work, and any later larger or revised work in the same series. If an express transfer is made with respect to an author's work in one of these categories, such transfer shall be in a written instrument specifically enumerating each right being acquired and the consideration paid for that right and shall be signed by both parties. Such enumerated rights shall not exceed the rights which the transferee reasonably anticipates exercising. In the event that any enumerated rights have not been exercised within two years after the first publi-

cation by the transferee or such transferee's successor in interest with respect to any right acquired. such unexercised rights shall be held by the transferee or such transferee's successor in interest as nonexclusive and the author shall not be restricted from and shall have the right to transfer such rights on a nonexclusive basis, provided that any party holding nonexclusive rights pursuant to this subsection shall be treated as holding exclusive rights for the purposes of section 501 with any judgment to be divided among the parties as the court in its discretion determines. A transfer by an author in one of the categories covered hereunder shall not be terminable by the author pursuant to section 203(a)(3) if a written contract signed by both parties prior to the commencement of the work specifically enumerates certain rights which may not be so terminated. For purposes of this subsection—

"(1) an 'instructional text' means a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities; and

"(2) a 'supplementary work' is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forwards, afterwords, pictorial illustrations, or appendixes.

If a work is created under a work made for hire agreement pursuant to clause (2) of the definition of a work made for hire, it shall not be deemed a supplementary work for purposes of this section."; and

(3) by adding at the end of section 201 the following new subsection:

"(f) UNJUST ENRICHMENT.—With respect to those categories of works enumerated in subsection (c), an author may, at any time following the transfer of a copyright or of any rights under such copyright, bring an action to reform or terminate a transfer in which the profits received by the transferee or his successors in title are strikingly disproportionate to the compensation, consideration, or share received by the author or his successors. In such action the plaintiff shall have the burden of proving that, taking into consideration all factors including the bargaining position of the parties and their respective contributions to the financial success of the work, the terms of the transfer have proven to be unfair or grossly disadvantageous to the author. The court shall decide the action in accordance with the principles of equity, and shall have discretion to reform or terminate the transfer on whatever terms it considers just and reasonable.".

SEC. 3. Section 202 of title 17, United States Code, is amended by striking out all after the semicolon in the second sentence and inserting in lieu thereof the following: "nor, in

the absence of a written agreement expressly conveying property rights in a material object, does transfer of ownership of a copyright or of any exclusive rights under a copyright or the entering into of a work made for hire agreement pursuant to clause (2) of the work made for hire definition convey property rights in any material object.".

SEC. 4. Section 203(a) of title 17, United States Code, is amended by inserting in the first sentence after "work made for hire," the following: "or in the case of any transfer or license other than one which may not be terminated pursuant to the provisions of section 201(c),".

O

Restatement Of Agency 2d §220 (1) and (2)

"Servant" is defined in §220, Restatment, Agency 2d (1958) as follows:

"(1) A servant is a person employed to perform services in the affairs of another and who with respect to the physical conduct in the performance of the services is subject to the other's control or right to control.

(2) In determining whether one acting for another is a servant or an independent contractor, the following matters of fact, among others, are considered:

(a) the extent of control which, by the agreement, the master may exercise over the details of the work;

(b) whether or not the one employed is engaged in a distinct occupation or business;

(c) the kind of occupation, with reference to whether, in the locality, the

work is usually done under the direction of the employer or by a specialist without supervision;

(d) the skill required in the particular occupation;

(e) whether the employer or the workman supplies the instrumentalities, tools, and the place of work for the person doing the work;

(f) the length of time for which the person is employed;

(g) The method of payment, whether by the time or by the job;

(h) whether or not the work is a part of the regular business of the employer;

(i) whether or not the parties believe they are creating the relation of master and servant; and

(j) whether the principal is or is not in business."

Portion Of The Jury Charge,
TR page 615, lines 12-16 (JA 52)

Arthur Ginsberg testified as to how he supervised and directed the craftsmen in Asia as to the execution of the design. If you believed his testimony on this, it is sufficient to show that Aldon is properly the author under a for-hire arrangement.

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No. 84-463

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

SPIEGEL, INC.,

Petitioner,

vs.

ALDON ACCESSORIES LTD.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT AND APPENDIX

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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IN THE SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1984

No. 84-463

SPIEGEL, INC.,

Petitioner,

vs.

ALDON ACCESSORIES LTD.,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

The Respondent, ALDON ACCESSORIES LTD., respectfully submits this brief in opposition to the petition of SPIEGEL, INC. seeking a writ of certiorari and respectfully requests that such petition be denied with appropriate costs.

Questions Presented for Review:

The petitioner's questions are improperly based upon factual contentions and inferences drawn entirely in petitioner's favor even though there were many sharp issues of fact determined in a jury trial demanded by petitioner.

The petitioner, by disregarding all contrary facts, assumes in a conclusory manner that any artist who partially participated together with the plaintiff had to be an independent contractor.

The Circuit Court of Appeals reviewed all of the disputed factual issues and clearly held that the respondent's president, Arthur Ginsberg, both actively created and directed the creation of both the porcelain and brass statuettes in issue and that the creation of the expression was not left solely to an artist or sculptor. The Circuit Court stated that the question of supervision and

direction was submitted to the jury and that the finding of an employer-employee relationship was supported by ample evidence.

That portion of the petitioner's questions involving legal contentions are similarly improperly based upon a proposed bill seeking to amend certain sections of the Copyright Law which, although introduced to the Senate in November 1983, has been merely assigned to the Judiciary Committee. Although petitioner assures this Court that the proposed bill amending the Copyright Law regarding work-for-hire will be reintroduced in 1985, there is no contention that this proposed bill will in fact become law nor is the proposed amendment on its face relevant to the issues at hand.

STATEMENT OF THE CASE

It is only by disregarding the petitioner's own cases, which the Court of Appeals for the Second Circuit dealt with in detail, that the petitioner is able to contend that this is a case of first impression.

The petitioner further argues on page 17 of its petition that the Court of Appeals may have misunderstood its arguments and authorities.

The petitioner's conclusion that certain Japanese and Taiwanese artisans had to be "independent contractors" completely disregards and misstates the facts and evidence submitted in this case. All facts and contentions were carefully reviewed by the Court below as well as the Circuit Court. Only by disregarding the evidence can the petitioner contend that the plaintiff was either ignorant or deceitful regarding the facts

surrounding the genesis of the products in question.

The petitioner, by setting forth limited and partial quotations from the testimony, follows the same pattern it sought to establish in the Circuit Court by the petitioner.

> "Q. Did you get in there with a pencil and paper and make them or did he make them?
>
> A. No, I didn't use a pencil and paper. I didn't need to. (JA 411)" (P.12, Pet. brief)

The defendant petitioner omits testimony that the plaintiff participated directly in sketches as well as the refinement of the rough clay pieces involving the portion of legs, proportions of the body.

The petitioner, disregarding the detailed review of the evidence by the Circuit Court of Appeals, brazenly contends that the testimony regarding the creation, direction and supervision of

the statuettes in issue is not in material dispute and on page 13 the petitioner states "Consequently, for purpose of this petition, there are no facts in dispute."

The Circuit Court of Appeals' opinion quotes verbatim in part a letter written by Arthur Ginsberg who conceived of a novel line of statuettes depicting mythological creatures, including a unicorn. This unicorn contained mostly the features of a horse rather than a unicorn. The letter first describing the concept gave a full description of the unicorn which represented the actual final product in words and indicated that prior sketches had been particpated in by Arthur Ginsberg prior to any model ever being created.

The Circuit Court's opinion, pages 4708-4709 (A4-A-5) sets forth in detail the exact participation by Arthur Ginsberg together with artists in preparing

both sketches which was followed by clay models actively supervised and directed step by step by the plaintiff.

The plaintiff further proved as detailed by the Circuit Court that the defendant's buyer had shopped the plaintiff, requested and received samples as well as the Aldon catalogue all of which clearly indicated that plaintiff's items were copyrighted. The defendant petitioner concedes that its buyer was aware that the unicorn was a very popular item at the time she first shopped and received samples. The defendant later purchased identical replicas of plaintiff's statuettes.

The Circuit Court (at page 4717 of its opinion) (A-13) stated the following:

> "Our conclusion that the judge's charge was not incorrect does not produce a result at odds with the Congressional intent. There was evidence in this case that Ginsberg did much more than communicate a general concept or idea

> to the Japanese and Taiwanese artists and artisans, leaving creation of the expression solely to them. There was evidence that Ginsberg actively supervised and directed the creation of both the porcelain and brass statuetts. While he did not physically wield the sketching pen and sculpting tools, he stood over the artists and artisans at critical stages of the process, telling them exactly what to do. He was, in a very real sense, the artistic creator. Citing Florabelle Flowers Inc. v. Joseph Markovitz, Inc., 296 F. Supp. 304(S..N.Y.1968), Spiegel argues that, as in that case, Ginsberg had no more than a general conception and the creation was done by the artists and artisans. In Florabelle,the judge was acting as fact-finder on a motion for a preliminary injunction and there was virtually no evidence of participation by the plaintiff in the physical creation of the artificial flower in dispute. Here, the question of supervision and direction by Ginsberg was submitted to the jury, and their finding, implicit in the verdict, of an employer-employee relationship is supported by ample evidence."

The petitioner contends that the writ be granted since the decision of the Circuit Court subverts the intent of the new Copyright Law. The petitioner, by

the use of a crystal ball, submits to this Court the Cochran Bill, S.2138, in an attempt to bolster its interpretation of the Copyright Law sections in issue. Using resources or perhaps a crystal ball not available to the respondent, the petitioner states at page 23, "While this bill may expire following this Congressional Term, a follow-on bill will be presented in January of 1985". Unfortunately, the petitioner's gaze into the future does not contain a prediction that this Cochran bill will indeed ever become law or that it will be retroactive in effect.

An examination of this proposed bill reveals that it presents a proposed amendment to Clause 2 of Section 101, Title 17, which deals with works specially ordered or commissioned for use as part of motion pictures, etc. The bill in no way proposes an amendment to

subdivision 1 of Section 101, Title 17, which contains a definition of a"work made for hire".

The further proposed amendment to Section 201 of Title 17 cannot in any way be considered relevant to the issues at bar.

NO VALID REASONS ARE ADVANCED BY THE PETITIONER FOR GRANTING THE WRIT.

In addition to relying upon the "Cochran Bill S. 2138", the petitioner refers to the Restatement of Agency 2d §220 (1958) (A33-34) for the purpose of determining the issue attempted to be raised as a matter of law of what is an "employee" and what is an "independent contractor".

The petitioner's brief on page 29 limits the standards set forth in the Restatement of Agency in determining the difference between a servant and an independent contractor. The petitioner

omits as set forth on A-33 that in making a determination there must be considered as a matter of fact "(a) the extent of control which, by the agreement, the master may exercise over the details of the work;".

In addition, the petitioner omits the comment contained in the Restatement of Agency with reference to subdivision (1):

> "A servant is a person employed to perform services in the affairs of another and who with respect to the physical conduct in the performance of the services is subject to the other's control or right to control."

That comment, contained on page 486 of the Restatement reads in part as follows:

> "b. Non-contractual employment. The word "employed" as used in this Section is not intended to connote a contractual or business relation between the parties. ***"
>
> "c.***It cannot, however, be defined in general terms with substantial accuracy. The factors

stated in Subsection (2) are all considered in determining the question, and it is for the triers of fact to determine whether or not there is a sufficient group of favorable factors to establish the relation. See Comment g. If the inference is clear that there is, or is not a master and servant relation, it is made by the court; otherwise the jury determines the question after instruction by the court as to the matters of fact to be considered." (487)

In the case at bar the jury has determined the question after appropriate instruction by the Court. The factual and legal issues have also been fully considered and reviewed by the Court below as well as the Circuit Court of Appeals.

The Petitioner merely relies on a footnote in the case of Taylor v. Local 7, International Union of Journeymen Horseshoers, 353 F2d 593 (4th Cir. 1965) in dealing with the issues of what is an independent contractor. If the petitioner were truly searching for the definition of an independent contractor as compared to an employee, the petitioner

could have referred this Court to the relevant portions of the opinion in the case itself instead of a footnote. In that case on page 596 the Court stated in part:

> "The usual test employed for determining whether one performing services for another is an independent contractor or an employee is found in the nature and the amount of control reserved by the person for whom the work is done."
>
> "The District Court recited certain facts upon which it based its conclusions with respect to the relationship between the owners and trainers and the farriers who served them. However, we think it necessary to consider the relevant attendant circumstances in their totality as clearly disclosed by the record. As this court stated in N.L.R.B. v. A.S. Abell Company, supra, 327 F.2d 1, 4 (4 Cir.1964), a case which arose under the National Relations Act:
>
> '* * *Thus, the critical distinction between an independent contractor and an employee is found in the nature and amount of control reserved by the person for whom the work is done. The test, however, admits much more readily of statement than of application. Resolution of the question must depend

> largely upon the peculiar facts of each case. Moreover, no single factor is controlling and the totality of the circumstances must be considered.'" (Emphasis supplied.)

It is submitted that the Circuit Court as well as the Court below followed the standards and rules set forth in the Taylor case opinion.

CONCLUSION

The petitioner does not satisfy any of the standards set forth in Rule 17 regarding review on certiorari. The defendant is a willful infringer who seeks to acquire a license to infringe by incomplete references to issues of fact as well as questions of law.

Petitioner's reliance upon a proposed Senate bill still in committee for over a year which may never see the light of day, is frivilous and warrants more than a denial of this petition for a writ.

Dated: October 10, 1984

Respectfully submitted,

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